

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

**SWAN CREEK TOWNSHIP, JAMES TOWNSHIP,
AND VILLAGE OF ST. CHARLES
WATER AUTHORITY**

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2007

SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND VILLAGE OF ST. CHARLES WATER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Swan Creek Township, James Township, and
Village of St. Charles Water Authority
Saginaw County, Michigan

We have audited the accompanying basic financial statements of the Swan Creek Township, James Township, and Village of St. Charles Water Authority, as of and for the year ended March 31, 2007 as listed in the table of contents. These financial statements are the responsibility of Swan Creek Township, James Township, and Village of St. Charles Water Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Swan Creek Township, James Township, and Village of St. Charles Water Authority, as of March 31, 2007, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

May 25, 2007

BASIC FINANCIAL STATEMENTS

**SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND
VILLAGE OF ST. CHARLES WATER AUTHORITY**

STATEMENT OF NET ASSETS

March 31, 2007

	<u><i>Business-Type Activity</i></u>
	<u><i>Proprietary Fund</i></u>
Assets:	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 171,857
Due from other governmental units	<u>22,936</u>
Total current assets	<u>194,793</u>
Liabilities:	
<i>Current liabilities:</i>	
Accounts payable	<u>23,732</u>
Total current liabilities	<u>23,732</u>
Net assets:	
Unrestricted	<u>171,061</u>
Total net assets	<u><u>\$ 171,061</u></u>

The accompanying notes are an integral part of these financial statements.

**SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND
VILLAGE OF ST. CHARLES WATER AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Year Ended March 31, 2007

	<i><u>Business-Type Activity</u></i>
	<i><u>Proprietary Fund</u></i>
Operating revenues:	
Charges for services	\$ 291,493
Annual fees	<u>18,000</u>
Total operating revenues	<u>309,493</u>
Operating expenses:	
Supplies	20
Contracted services	3,783
Purchase of water	291,493
Telephone	2,295
Insurance	3,986
Utilities	1,741
Repairs and maintenance	<u>2,710</u>
Total operating expenses	<u>306,028</u>
Operating income (loss)	3,465
Non-operating revenues (expenses):	
Interest income	<u>5,931</u>
Net income (loss)	9,396
Net assets, beginning of year	<u>161,665</u>
Net assets, end of year	<u>\$ 171,061</u>

The accompanying notes are an integral part of these financial statements.

**SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND
VILLAGE OF ST. CHARLES WATER AUTHORITY**

STATEMENT OF CASH FLOWS

Year Ended March 31, 2007

	<i><u>Business-Type Activity</u></i> <i><u>Proprietary Fund</u></i>
Cash flow from operating activities:	
Cash received for services	\$ 309,493
Cash payments to suppliers for goods and services	<u>(305,408)</u>
Net cash provided (used) by operating activities	<u>4,085</u>
Cash flows from investing activities:	
Interest received	<u>5,931</u>
Net cash provided by investing activities	<u>5,931</u>
Net increase (decrease) in cash and cash equivalents	10,016
Cash and cash equivalents, beginning of year	<u>161,841</u>
Cash and cash equivalents, end of year	<u>\$ 171,857</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 3,465
Change in assets and liabilities:	
Due from other governmental units	318
Accounts payable and accrued expenses	<u>302</u>
Net cash provided (used) by operating activities	<u>\$ 4,085</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND VILLAGE OF ST. CHARLES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Swan Creek Township, James Township, and Village of St. Charles Water Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The Swan Creek Township, James Township, and Village of St. Charles Water Authority was created in December, 2001 by the three constituent municipalities under the provisions of Act 233, Public Acts of Michigan, 1955 as amended. The Water Authority was created to administer and operate the water main supply system which provides the water supply for the three municipalities. The Water Authority superseded the James Township, Swan Creek Township, and St. Charles Village Water Supply District which was established by the Saginaw County Board of Commissioners by a resolution adopted June 10, 1969. The Water Authority took over operations from the Water District as of January 1, 2002. The governing body of the Water Authority is a Board of Commissioners which is made up of two voting representatives from each municipality for a total of six board members.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 these financial statements of the Water Authority include all activities for which the Authority has oversight responsibility. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The Authority engages in only a business type activity.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The operations of this fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The financial operations of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND VILLAGE OF ST. CHARLES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to administer and operate the water main supply system which provides the water supply for the three municipalities. Operating expenses include the cost of water, administrative expenses, repairs and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Equity:

Deposits – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired.

Due from other governmental units – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – The Authority has no capital assets to report. The Authority administers, operates and maintains the water mains for the three participating units. The capital costs of these main lines have been recorded and depreciated separately by each of the three units.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DEPOSITS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Authority Board is in accordance with Public Act 196 of 1997. The Authority's deposits and investments have been made in accordance with statutory authority.

The Authority's deposits are subject to custodial risk, which is presented in more detail as follows:

SWAN CREEK TOWNSHIP, JAMES TOWNSHIP, AND VILLAGE OF ST. CHARLES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2007

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$171,857 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Authority has purchased commercial insurance to cover any potential claims associated with these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 4: CONTRACTS AND COMMITMENTS

The Authority has entered into various contracts as follows:

- **Water Supply Services** – The Authority contracts with the City of Saginaw for its water supply needs.
- **Service Contracts** – The Authority contracts with each of the constituent municipalities to provide services.